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August 1, 2005

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Federal Communications Commission  
Office of Secretary

Marlene H. Dortch, Secretary  
Federal Communications Commission  
Office of the Secretary  
445 12<sup>th</sup> Street, SW  
Washington, DC 20554

Re: *Ex Parte* Notice, Federal-State Joint Board on Universal Service;  
CC Docket No. 96-45

Dear Secretary Dortch:

Pursuant to Section 1.1206 of the rules of the Federal Communications Commission ("FCC"), 47 CFR § 1.1206, this letter provides notice that Todd B. Lantor, Chief Regulatory Counsel of Nextel Partners, Inc. ("Nextel Partners"), along with Albert J. Catalano and Matthew J. Plache of Catalano & Plache, PLLC, counsel to Nextel Partners, met with Michelle Carey, Legal Advisor to Chairman Kevin J. Martin, on July 28, 2005, and with Commissioner Kathleen Q. Abernathy and Russell Hanser, Acting Legal Advisor to Commissioner Abernathy, on August 1, 2005.

During the meetings, the attendees discussed a number of issues related to the Federal-State Joint Board on Universal Service proceeding regarding high-cost universal support mechanisms for rural carriers and the appropriate rural mechanism to succeed the existing five-year plan.<sup>1</sup> Nextel Partners noted its support for establishing a new Rural Task Force that would include representatives of both wireless and wireline Eligible Telecommunications Carriers (ETCs) as well Federal and State regulators, in order to reach a consensus on recommendations for the high-cost support rural mechanism. Included with this letter is an outline of the points discussed during the presentations.

Very truly yours,

  
Matthew J. Plache

Enclosure

CC: Commissioner Kathleen Q. Abernathy  
Russell Hanser  
Michelle Carey

<sup>1</sup> See Public Notice, *Federal-State Joint Board on Universal Service Seeks Comment on Certain of the Commission's Rules Relating to High-Cost Universal Service Support*, CC Docket No. 96-45, FCC 04J-2 (rel. Aug 16, 2004).

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## An Overview of Nextel Partners

- **Nextel Partners was formed specifically to accelerate the build out of the Nextel system in the mid-sized and tertiary markets, including rural and historically underserved areas.**
- **Primary focus is on mid-sized and tertiary markets.**
- **Provider of advanced digital wireless communications services over industry leading nationwide network.**
- **Service territory includes 54 million POPs in 31 States.**
- **Over 1.8 million subscriber lines as of June 30, 2005.**
- **More than 4,000 cell sites and 41,000,000 covered POPs.**
- **2,860 employees.**

## Benefits of the Relationship With Nextel

- Through Nextel Partners' efforts, the Nextel digital network has been built out in mid-sized and tertiary areas.
- Nextel Partners' customers have access to the same Nextel nationwide network, services and equipment that are available to citizens in the primary markets.
- Nextel Partners' customers receive seamless nationwide roaming at no additional charge to the customer.
- Nextel Partners has established strong ties with the public safety community to help meet the nation's emergency, public safety and national security needs.

# Nextel Partners' Accomplishments

## Subscriber Growth - 54%

- End of 1999: 46,100
- End of 2000: 227,400
- End of 2001: 515,900
- End of 2002: 877,800
- End of 2003: 1,233,200
- End of 2004: 1,602,400
- End of 2Q 2005: 1,805,100

## Covered POPs

- 1999: 6,000,000
- 2000: 23,000,000
- 2001: 33,000,000
- 2002: 37,000,000
- 2003: 38,000,000
- 2004: 40,000,000
- 2Q 2005: 41,000,000

## Nextel Partners' Accomplishments

### Cumulative Cell Sites

- 1999: 530
- 2000: 1,537
- 2001: 2,788
- 2002: 3,317
- 2003: 3,606
- 2004: 4,084
- 2Q 2005: 4,348

### Service Revenues

- 1999: \$28,100,000
- 2000: \$130,100,000
- 2001: \$363,600,000
- 2002: \$646,200,000
- 2003: \$964,386,000
- 2004: \$1,291,352,000
- 2Q 2005: \$1,650,000,000

# Nextel Partners' ETC Status

## FCC Designations

- Alabama
- Florida
- Georgia
- New York
- Pennsylvania
- Tennessee
- Virginia

## State Designations

- Arkansas
- Hawaii
- Iowa
- Indiana
- Kentucky
- Louisiana
- Mississippi
- Wisconsin

## Benefits of Wireless ETCs

- Helps to facilitate building wireless system
- Same service that is available in urban areas
- Provides mobility to the customer
- Encourages economic development
- Expanded local calling areas
- Reduced rate or flat-rated long distance
- E911 and GPS location-based services

# High Cost Support Proceeding

- Challenge is to develop methodologies for access to USF support that are consistent with Congress' goals and that neither deplete the Fund nor overly burden those paying into the Fund.
- Numerous proposals as to methodology (Western Wireless, Rural LECs, Nextel, CTIA, OPASTCO, NTCA, Iowa Telecom).
- Wide divisions separating the commenters.



## Western Wireless Proposal

- Support payments should be based on forward looking costs rather than embedded costs
- Support payments for all carriers should reflect the “least cost technology”
- This will encourage all carriers to deliver service more efficiently
- Rate of Return regulation for computing support should be eliminated

## CTIA Proposal

- Current support model is inefficient and encourages spending without corresponding benefits and service enhancement for customers
- LECs with >50,000 lines in a state (or 2.5 million nationally) moved to FLEC in 2006
- LECs with < 50,000 lines would stay on embedded costs but would combine study areas in state
- Freeze on growth in high-cost support
- Long term: unified FLEC mechanism for all

### OPASTCO Proposal

- Supports existing embedded cost methodology for LECs
- Suggests wireless CETCs should be supported based on own embedded costs
- Phase-in separate support for CETCs based on percentage of support to incumbent

### TDS Proposal

- Supports existing embedded cost methodology for LECs
- Claims FLEC models would be too complex
- Suggests wireless CETCs should be supported based on own costs

## Nextel Communications, Inc. Proposal

- Migrate to FLEC methodology by July 2006
- Smaller LECs to take longer
- Direct-to-customer subsidy
- Customer uses subsidy to pay LEC or CETC
- Reduction in recovery of corporate operations costs

## Verizon Comments

- Current program is too expensive
- Transition all larger carriers (>100K lines) to non-rural support
- Limit number of carriers eligible to serve rural areas
- Freeze per-line support

### NTCA Comments

- Retain existing support plans for LECs
- Support CETCs up to actual costs
- Include corporate operations expenses
- Retain local switching support

### Iowa Telecom

- Rural LECs should be allowed to opt-out of embedded cost model in favor of FLEC
- Elections on a study area basis

## Creation of Rural Task Force

- New Rural Task Force to reach a consensus on recommendations for High Cost support methodologies and policies
- Representatives from wireline, wireless, states and federal government
- Members with expertise in economic, engineering, technical and policy matters

## Rural Task Force Mission

- Undertake comprehensive analysis of all available methodologies
- All issues and proposals would be considered
- Consensus could involve aspects of different proposals
- Make consensus proposals to Joint Board and FCC

# Rural Task Force Guiding Principles

- Focus needs to be on the customers
- Citizens living in rural areas should have access to the same services available in urban areas, at substantially same prices
- Support methodologies should be competitively neutral
- Consumer choice
- Recognize importance of mobility in rural areas, including public safety components
- Facilitate buildout of wireless networks
- Manage growth of Fund on long term basis